

STATE OF WASHINGTON

PROPOSED 2005-2007 BUDGET

BUDGET AND POLICY HIGHLIGHTS

“We must change the culture of state government.”

— Governor Christine Gregoire

March 16, 2005

CHRISTINE GREGOIRE
OFFICE OF THE GOVERNOR



PROPOSED 2005–07 Budget and Policy Highlights

OFFICE OF THE GOVERNOR

MARCH 2005

A New Vision for Washington

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“We can leave our legacy to future generations only if we are willing to change ... to go beyond partisan labels, and to solve the problems facing Washingtonians.”

I am honored to be the new Governor of Washington and to have the opportunity to lead the people of this great state. My first budget proposal to the Legislature reflects the values I bring to the administration – good schools and health care for our kids, compassion for people who truly need our help and tax policies that don’t hurt Washington’s economy.

My budget changes the culture of state government. It thins middle management, reduces costs for equipment and supplies and puts this government on notice that programs that don’t perform will be eliminated. I have never been afraid to embrace change when it’s clear that changes must be made.

This budget is about leading boldly and doing more than it takes to just get by. It is about creating hope and opportunity, and making the decisions that make a difference – for the better – in the lives of Washington citizens.

My 2005-07 Budget Priorities for Washington

1 Invest in kids and communities. My budget provides \$10.9 billion to pay for basic education for 1 million students, including \$92 million in new funding to help struggling students and improve special education for disabled students.

It restores two voter-approved initiatives to reduce class sizes and gives teachers the cost-of-living salary adjustments they were promised and deserve. And enrollment is increased by 6,600 students at state colleges and universities.

2 Make sure children have health care. My \$4.6 billion health care budget helps provide insurance for the working poor, preserves medical services for 900,000 people in Washington who qualify for Medicaid, and provides health care for an additional 46,700 children in low-income families.

The \$4.3 billion social services budget I propose protects the safety net for our most vulnerable children and adults.

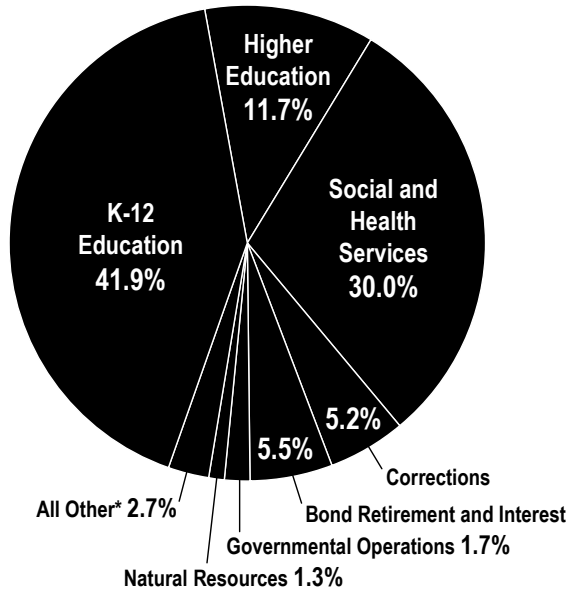
3 Keep Washington on a path to economic success. My \$2.8 billion capital budget will not only create new construction jobs, but also build new facilities for our colleges and universities, so more students can train for good jobs.

I will not raise taxes that could harm our recovering economy and I will use money from the tobacco settlement to invest in the emerging biotech industry – an opportunity to modernize health care and agriculture – creating thousands of jobs in the next decade.

Proposed Budget Expenditures

General Fund-State: Operating

Distribution of 2005-07 General Fund-State Expenditures

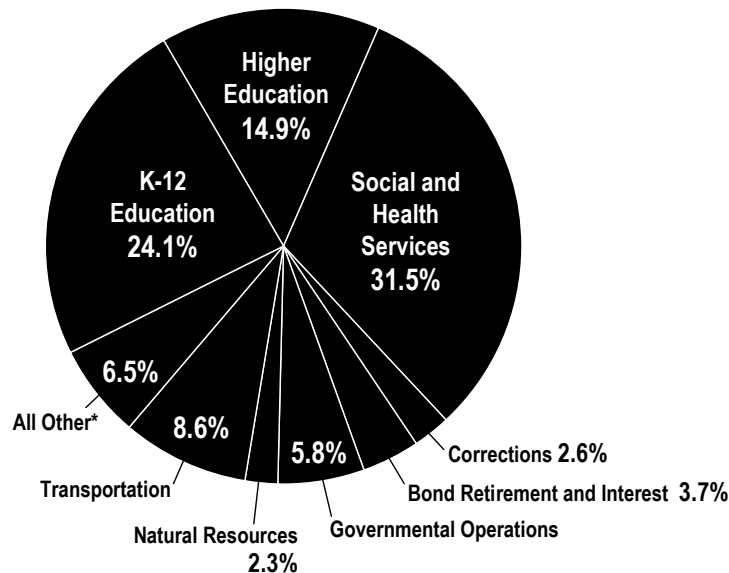


Category	Dollars in Millions
K-12 Education	\$ 10,812
Higher Education	3,014
Social and Health Services	7,749
Corrections	1,349
Bond Retirement and Interest	1,415
Governmental Operations	440
Natural Resources	352
All Other*	693
TOTAL	\$25,824

*Other includes Legislative, Judicial, Other Human Services, Transportation, Contributions to Retirement Systems, Other Education, and other appropriations.

All Funds: Operating Plus Transportation Capital

Distribution of 2005-07 All Funds Expenditures



Category	Dollars in Millions
K-12 Education	\$13,017
Higher Education	8,019
Social and Health Services	17,000
Corrections	1,382
Bond Retirement and Interest	2,018
Governmental Operations	3,135
Natural Resources	1,254
Transportation	4,634
All Other*	3,478
TOTAL	\$53,937

*Other includes Legislative, Judicial, Other Human Services, Contributions to Retirement Systems, Other Education, and other appropriations.

Budget Reductions, Savings and Taxes

The Governor's \$25.8 billion General Fund budget for the 2005-07 Biennium refocuses \$1.4 billion of current spending through budget reductions and fund shifts. In addition, two tax changes raise \$200 million to:

- Fully fund voter-approved Initiative 728, which reduces class sizes in public schools and provides students more individual attention through extended learning programs.
- Fully fund the projected demand for enrollments in state colleges and universities over the next two years.

This budget avoids any general tax increases that could hurt the state's economic recovery. Instead, it raises the state tax on a pack of cigarettes by 20 cents in the next biennium and restores the estate tax on assets valued above \$2 million while exempting family farms.

A Sound Business Plan

This budget establishes a sound business plan for state government, avoiding cuts to basic services stretched thin by more than \$4 billion in budget reductions over the past four years that were triggered by national recession.

Now, Washington's economy is recovering, creating jobs and new opportunities. This budget encourages future economic growth, but never loses sight of what families can afford today.

Education

It is well understood that good schools and access to higher education are the keys to success. Education is the gateway to happy, productive lives, and a well-trained, well-educated workforce keeps and attracts the best employers with the best jobs.

Public Schools

The Governor's budget provides \$11 billion to pay for basic education for 1 million students in our public schools. It also improves the system. Two voter-approved initiatives suspended during the past two years, I-728 and I-732, are restored at a cost of \$277 million, so class-size reduction and extended learning programs can continue, and so teachers and school staff get the cost-of-living increases they were promised and deserve.

How the Budget is Balanced

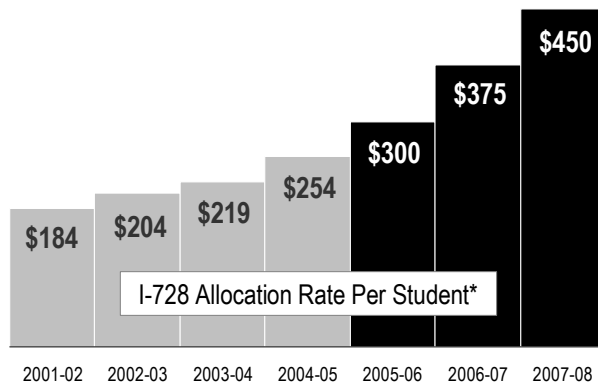
Budget cuts, savings and fund shifts provide a total of \$1.4 billion to fund priority services. These steps:

- Transfer surplus funds in several accounts to the General Fund, providing \$244 million for services.
- Reduce the Working Capital Reserve, making \$100 million available to fund services.
- Delay increases in pension contributions for the state and its employees, plus other pension policy changes, saving the state \$524 million.
- Reduce employee benefit costs by 75 million.
- Reduce funding by \$82 million for certain health and human services programs.
- Employ sentencing reform to reduce state prison costs by \$36 million.
- Limit cost-of-living increases for vendors who provide social services on behalf of the state, saving \$97 million.
- Make cuts to state government administration, middle management and lower costs for supplies and equipment, saving \$66 million.
- Reduce nursing home reimbursement rates, saving \$27 million.
- Transfer \$68 million in higher education and maintenance costs back to the Capital Budget.
- Trim certain K-12 programs, saving \$38 million.
- Other savings and reductions of \$45 million.

Two tax changes fully fund voter-approved Initiative 728, which reduces class sizes in public schools, as well as meet the demand for enrollment in state colleges and universities. The changes include:

- Reinstating a tax on non-farm estates valued at more than \$2 million to raise \$129.4 million.
- Increasing the cigarette tax by 20 cents a pack in the next biennium to raise \$73.2 million, of which \$30 million goes to add higher education enrollment and financial aid. The cigarette tax rises to 80 cents a pack by 2008 to pay for further scheduled increases in I-728 funding.

Stepping Up Funding to Reduce Class Sizes



*Based on Full-Time Equivalent, grows by IPD inflation after 2007-08

Source: Office of Financial Management

In addition, funding is increased by \$42 million to help struggling high school students catch up, and by \$50 million for special education for disabled students.

In these ways, the will of the voters is respected. The work teachers do is recognized and respected. And the power to do a better job in classrooms across the state is turned back on.

State Colleges and Universities

In higher education, an economic engine that can power long-term economic growth, the state already funds 216,500 students at state colleges and universities. The Governor's \$3.0 billion higher education budget includes \$90 million in new spending to help meet the rising demand for college degrees by increasing enrollment by 6,600 full-time students.

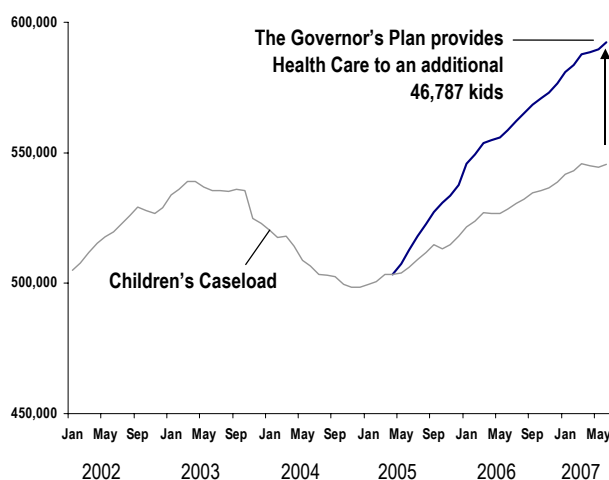
This budget also ends a pattern of neglect in which access to college has come at the expense of quality in the higher education the state provides. Tuition increases will be used to improve quality – not to make up for the state's past failure to provide enough basic support.

Giving Washington's Children Access to Health Care

Governor Gregoire believes Washington State must provide basic health care to its children. This is why her budget will provide health insurance to an additional 46,787 of Washington's kids.

The Governor's budget takes real steps towards achieving her vision that all children receive health care coverage by 2010.

The Governor's Plan Provides Health Care to More Kids



Source: March 2005 Caseload Forecast Council forecast of Medicaid eligibles and DSHS policy analysis

Health Care

The Governor seeks ways to reduce the ever-rising cost of meeting the state's health care commitments to 1 million of the state's 6 million residents. As costs of medical services and drugs increase by 10 percent a year, this trend threatens the ability of the state to fund other state services. In the future, the state will need to contain the rise in health care costs.

Nonetheless, the Governor's \$4.6 billion health care budget provides medical services to 900,000 men, women and children in Washington who qualify for Medicaid medical services because of income, age or disabilities.

And it expands health coverage to 46,700 more children. It also maintains current enrollment in the Basic Health Plan for the working poor – 100,000 people in families that pay lower-cost premiums for state-sponsored health insurance.

Creating Jobs

The Governor's \$2.8 billion Capital Budget for financing construction of needed state facilities, particularly at state colleges and universities, will support in the next biennium an average of 19,700 jobs both directly and indirectly related to the projects.

This budget also reflects the Governor's commitment to creating the Life Sciences Discovery Fund, which over 10 years will combine a \$350 million state investment with matching private and federal grants. This will generate \$1 billion to keep Washington at the leading edge of the emerging biotechnology industry, which can create thousands of jobs in the next decade.

At the same time, the state continues to promote international sales of Washington agriculture products, provides infrastructure to help rural communities attract business growth and promotes tourism that thrives on Washington's natural beauty.

Public Safety

To state government, public safety means confining more than 17,000 inmates in our prisons, supervising 26,000 offenders after they are released from prison, funding the State Patrol to keep highways safe and assisting victims of crime.

The Governor's \$1.8 billion public safety budget also helps communities prepare for emergencies like an earthquake, the threat of terrorism or forest fires likely to come with the drought emergency the state is experiencing today.

Corrections costs are rising as the inmate population in state prisons increases. The Governor saves \$36 million through policy changes that reduce the time low-risk, non-violent offenders spend in prison.

She also proposes an innovative approach to building a new prison planned for Franklin County. Instead of using up the state bonding capacity needed for facilities such as college classrooms, she proposes that the state contract to construct the \$270 million prison and pay off the cost through lease payments.

Treating More Drug Offenders Before Release

More offenders than ever before receive drug treatment through the courts and prisons. But due to a shortage of funding, hundreds are released without the treatment they need.

Governor Gregoire proposes to stretch drug treatment dollars by providing treatment in less-costly camp and community residential programs. The programs will be for low-risk, non-violent, non-sex offenders in the last year of their sentences.

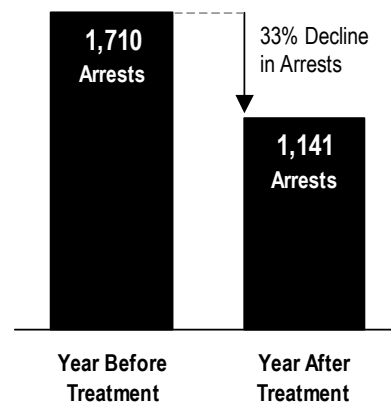
Such offenders will be required to report each day to designated locations for monitoring of daily activities and compliance with sentence conditions, or to stay at home or in other specified locations subject to electronic monitoring.

The proposal includes a 600-bed secure treatment facility and 140 contracted community residential treatment beds, plus additional supervision in communities. The program will cut projected prison populations in fiscal year 2007, reducing the need to rent prison beds in other states.

A 2002 study by the Washington State Department of Social and Health Services of 10,000 adults compared felony arrests before and after individuals participated in drug treatment. The study showed that felony arrests declined by 33 percent in the year following drug treatment, compared to the year before treatment.

Drug Treatment Reduces Crime in Washington

Number of Felony Arrests Out of 10,000 Adults Studied



Source: Department of Social and Health Services, Division of Alcohol and Substance Abuse

Washington's Recovering Economy

The Present

Since the economic recovery began in the 4th quarter of 2001, Washington has gained about 46,000 jobs – a growth rate of about 1.7 percent. Although the state job recovery has been slow, it has been stronger than the overall U.S. recovery, which saw less than 1 percent job growth in the same period. The state recovery has been aided by slowing layoffs in the aerospace industry, very strong growth in the housing sector due to low interest rates, and increased disposable household income from home mortgage refinancing.

The relative strength of the state's recovery reflects Washington's underlying economic power, which includes a vital export base, the presence of knowledge-based industries such as business, professional, health and financial services, and a high quality of life that continues to support strong population growth.

After two years of decline, Washington State's non-farm payroll employment grew by 0.7 percent in 2004. Personal income grew at a rate of 4.0 percent, a significant improvement over the prior two years. Prior to 2001, Washington's personal income was growing at rates that regularly exceeded 7 percent.

The aerospace industry continued its decline into 2004 with an employment drop of 11.4 percent. Total manufacturing employment fell by 4.2 percent. This extended the trend of the last three consecutive years of employment decline in manufacturing.

In 2004, Washington's unemployment rate receded to 6.9 percent, slightly below the levels of the last two years but more than one percentage point higher than the national unemployment rate. As late as 2000, the state's unemployment rate was below 5 percent.

The Future

The economic forecast for Washington State for 2005 reflects the impact of the long-awaited recovery at both the state and national levels. According to the March 2005 forecast by the state Economic and Revenue Forecast Council, growth in Washington's non-farm payroll employment is predicted

to increase by 1.9 percent in 2005, a rate closer to the state's long-term average employment growth and significantly higher than the expected national growth rate of 1.6 percent for non-farm payroll employment in 2005.

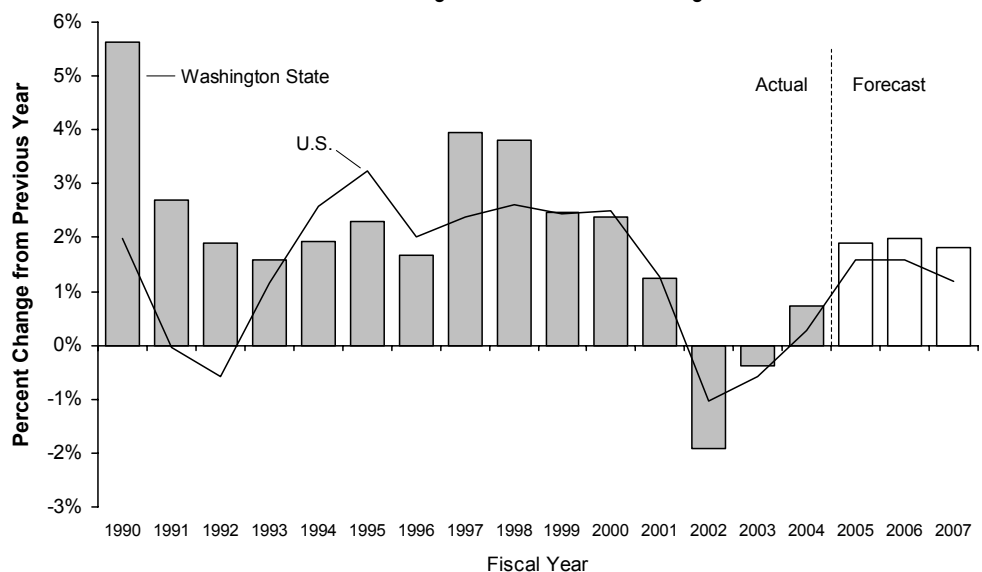
Washington's personal income growth will rebound in 2005 with growth of 8.2 percent. U.S. personal income growth is predicted to be 5.5 percent in 2005. The most significant factor pushing Washington's personal income growth rate so far above the U.S. is the Microsoft stock dividend. However, strong employment growth in manufacturing, including aerospace and information technology, will also help elevate Washington's personal income growth rate past the national level in 2005.

In 2005, Washington's unemployment rate is expected to drop to about 5.8 percent, the first time since 2001 that the state's unemployment rate is below 6 percent. The national unemployment rate for 2005 is predicted to be about 5.3 percent. However, this will be the narrowest gap between the state's unemployment rate and the nation's unemployment rate since 2000, when both rates were below 5 percent.

Washington's manufacturing employment is also expected to finally show signs of recovery in 2005. Manufacturing employment is forecast to grow by 1.5 percent, the first positive growth since 1998, while national manufacturing employment growth will be flat for 2005. Washington's manufacturing employment growth will be led by 1.8 percent employment growth in the aerospace industry, which has gone through a six-year slump in employment.

PERCENT CHANGE IN WAGE AND SALARIED EMPLOYMENT

Washington State vs. U.S. Average



Natural Resources

The Governor's Capital Budget provides \$75 million in parks-improvement projects across the state, and \$318 million from the General Fund is combined with federal and other fund sources to protect Washington's natural resources. Clean air, clean water, natural habitats for fish and wildlife, and state parks for families are vital to the quality of life Washington residents enjoy.

The Governor's budget ensures that environmental protection policies allow reasonable uses, with timely processing of permits, so businesses and communities can thrive. And as the Governor searches for solutions to stop the decline of water quality throughout Puget Sound, her budget directs new funding to address pollution problems that have reached emergency proportions in Hood Canal.

Preserving the Safety Net

The Governor's budget keeps the safety net in place for children and adults at risk of abuse or neglect. Her \$4.3 billion social services budget supports Washington's vulnerable citizens, providing institutional and community care for children, the disabled, seniors and veterans.

It makes \$13 million in improvements in the way the state cares for vulnerable children. The Governor restores funds that community mental health clinics lost as a result of federal cutbacks by adding \$80 million in state dollars.

Access to alcohol and drug treatment for adults is tripled, so fewer people wind up in hospitals or mental health facilities. And \$15 million in investments are made in the state's welfare-to-work program, so parents can get off public assistance, move into the workforce and get back on their feet.

Transportation

The state's transportation system is the backbone of Washington's economy. Important projects funded by the 5-cent gas tax increase approved by the Legislature two years ago continue to move forward, but it's clear that the state needs significant new revenue to address major traffic safety and congestion problems across Washington. Investments in our transportation system strengthen business development and job growth in our state.

The Governor's budget provides \$30 million in new funding to increase the safety of drivers on rural roads, but she also is working with legislative transportation leaders to craft a revenue package and project list to address

Cleaning Up Hood Canal

Hood Canal faces an environmental crisis – part of it has been declared a dead zone due to the lowest oxygen concentrations in recorded history.

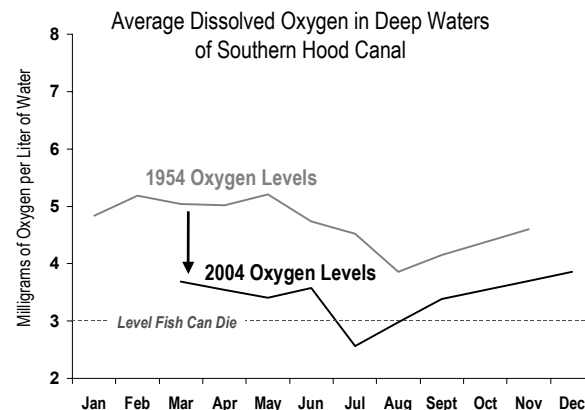
Without oxygen in the water, marine life will perish. We all contribute to the pollution and share the problems at Hood Canal. It will take multiple actions to restore it.

The Governor's budget proposes \$5 million to begin multi-pronged efforts by providing money for sewage treatment facilities, addressing storm water runoff and to identifying failing septic systems. The Governor's plan establishes a low-interest loan program for homeowners and businesses, so they can fix their septic systems.

The proposal looks for alternatives to dumping chum salmon carcasses, and seeks the cooperation of livestock owners in processing animal and organic wastes. And it fixes state facilities at a state park and hatchery that are contributing to the pollution.

No single action will solve the problem. The time to begin the clean up is now.

Decline in Oxygen Levels Threatens Fish



Source: University of Washington and the Hood Canal Dissolved Oxygen Program, analysis by Mark Warner and Jan Newton

Saving Money Through Smarter Buying

The Governor's state purchasing strategy will reduce state spending by \$50 million in the next budget biennium alone. Her *SmartBuying* project includes not only wielding the state's awesome buying power to buy more at a reduced rate, but also includes reducing the overall "life cycle" cost of goods by eliminating handling and warehousing fees.

For years, businesses have let vendors store and handle goods until they actually need them – a strategy called "just-in-time" buying. Now the state is setting up a system to do exactly that, reducing the need for inventory control and warehouse space, and making operations more efficient.

A State Workforce that Works for Citizens

As she promised, Governor Gregoire is already changing the culture of state government. Her message is basic: People on the state payroll are not here to serve the bureaucracy. They are here to serve the taxpayers.

Cutting Middle Managers

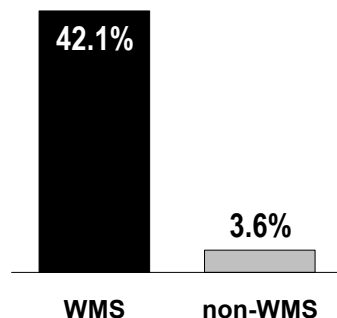
Governor Gregoire's budget proposal calls for eliminating 1,000 jobs within the ranks of middle management, saving \$50 million over the next two years.

The Governor believes that the growth of middle managers is not only wasteful, but also a misuse of the workforce.

She believes that reducing the size of middle management will improve the state's ability to provide real services to real people.

Too Much Middle Management

Growth of Washington Management Service (WMS) outpaced all other state employment growth from 1998 to 2004



Source: Office of Financial Management

priority projects like the Alaskan Way Viaduct, the State Route 520 bridge across Lake Washington, the Vancouver Columbia Crossings bridge, the North Spokane Corridor, over 130 other bridges across the state in need of repair and major pavement deterioration on I-5 and I-90, as well as ongoing safety, congestion, preservation and maintenance issues.

The Governor is encouraging the Legislature to include transportation funding mechanisms for cities and counties, and find new, flexible revenue sources to help address all modes of transportation.

Government Efficiency

The Governor's budget changes the culture of state government. It thins bloated middle management by 1,000 positions, saving \$50 million, employs a SmartBuying program to save \$50 million and puts all agency directors on notice that programs that don't get results will be eliminated.

The Governor is working to do a better job of making state government more efficient. One way is to provide real information – solid data – to show if programs and people running them are measuring up. This already is being done in New York City and Baltimore, with excellent results. The Governor calls this state's effort the Government Management Accountability and Performance Program – or GMAP.

Simply put, this program will harness computers to merge data from all over state government to measure the performance of state programs. For example, GMAP can reveal – in almost real time – exactly how well Child Protective Services is responding in child-abuse cases.

State Workers

State employees have gone without cost-of-living adjustments (COLAs) for four years, while having to absorb rising health insurance costs. The Governor honors contract agreements the previous administration bargained in good faith with state-worker unions and her budget provides other state employees the same package of cost-of-living adjustments and benefits.

GMAP: Taking the Guesswork Out of Governing

The words “data,” “accountability” and “performance” might not grab your attention – but what if they led to faster rescues of abused and neglected children in Washington?

What if state government managers, with a few clicks of a mouse, could summon real-time data to determine, for example, if Child Protective Services workers were meeting deadlines to investigate reports of abuse and neglect not just this week or month, but today? What if daily or weekly numbers could be called up on computer screens to show just how well the Department of Labor and Industries is helping injured workers get back on the job?

Governor Christine Gregoire wants a system in which that kind of information not only exists, but is available whenever managers need it. She wants a system in which managers can be held accountable based on real information – real numbers – to measure the performances of the employees they supervise.

She calls the system GMAP, or Government Management, Accountability and Performance, and its creation is already under way. The idea isn't new. Former New York City Mayor Rudy Giuliani pioneered a similar system to determine daily crime patterns and deploy cops to respond to them. Crime rates fell dramatically. Baltimore copied and broadened the system to all its city services with the result that service delivery improved at less cost.

New York City's experience is instructive. For years, the police and elected officials had tried various ways to get ahead of crime before it happened and respond better when it did. For years, they looked at the number of 911 calls and other contacts from citizens in each precinct to determine how to deploy police.

But New York City's version of GMAP quickly discovered that the police were looking at the wrong numbers. Total calls and contacts told the police little. What they needed was a breakdown on the *types* of calls and exactly *where* in each precinct they were occurring. For example, how many of the calls were for rape or arson or burglary? Were they occurring in a particular area? On a particular block? Was there a sudden surge of crime under way in a particular area today?

Once the police had set up a computerized system to evaluate calls using that kind of criteria, they were able to see on a daily basis what was developing, or already happening, block by block, precinct by precinct through the whole city.

GMAP will give the citizens a clear, concise view of how government programs are working and whether citizens are receiving value for their tax dollars.

Governor Gregoire will use GMAP to require her Cabinet to:

- Take personal responsibility and be accountable for results.
- Allocate resources according to the most important priorities.
- Use the most effective strategies.
- Base decisions on accurate, up-to-date information.
- Persist and follow up until we achieve results.
- Eliminate programs or concepts that don't work or are ineffective.

With the data, organized on electronic maps, the police could look at an area and conclude that burglars were active in that area, or that a rapist was on the loose and redeploy police from less active areas to blanket the problem area with investigators and police on the beat.

What New York City learned is that asking the right questions combined with the power of computers can lead to tremendous improvements in delivering services to citizens.

Governor Gregoire knows a good thing when she sees it, and she wants an even broader system across state government. She wants and will have a system in which information now sitting in databases from the Department of Health to the Department of Employment Security will be merged and used when appropriate to measure how well the agencies are fulfilling their missions. In cases where new data is needed, it will be created.

GMAP will provide a forum where agency directors report regularly to the Governor on the most important management and policy challenges. The dialogue between the Governor and the agency directors will be honest and direct, and decisions will be based on thoughtful analysis of real data and evidence about what strategies work best.

Based on this data and evidence, GMAP reports will focus on performance in measurable terms, giving citizens a way to judge the effectiveness of government.

This budget provides \$220 million to fund salary increases for state workers over the next two years, as well as \$211 million to fund the state's share of rising health insurance costs for state and public-school employees. However, \$75 million in health insurance savings that employee groups sought to use to improve health benefits instead will be used to help balance the budget.

In addition, pension policy changes and a two-year delay in planned increases in both state and employee contributions to the pension system save \$524 million, which is used to meet higher-priority needs. Pension changes will be made in a fiscally sound manner. There's no risk to anyone's pension benefits because they are guaranteed by law. And if state revenue forecasts in June each year exceed the prior June forecast, half of the additional revenue goes to reducing the state pension liability. The June 2005 forecast will be compared with the March 2005 forecast.

A Budget We Can Live With

This budget moves Washington forward in balance with the need to limit taxes in a recovering economy. It is a budget of hope, a budget that cares about the future, and a budget that Washington people can live with today.

Joining the Newest Scientific Revolution

Governor Gregoire sees a revolution coming, and she wants Washington to jump right in. She is proposing a \$1 billion Life Sciences Discovery Fund to move Washington to the forefront of leading edge medical research, and to improve the quality and yield of farm crops. The research and development she envisions will speed up the growth of the state's emerging biotechnology industry to create as many as 20,000 new jobs in the next 10 to 15 years.

Washington must not be left behind

Washington already is one of the top five states in the nation in drawing research grants in biotechnology disciplines including pharmaceuticals, biomedical technologies, life system technologies, nutraceuticals, cosmeceuticals and food processing.

But federal matching money is dwindling, and Governor Gregoire sees a unique opportunity to make sure the next generation of research occurs here in Washington and not somewhere else. The state can target the convergence of life sciences and information technology in the form of competitive grants to build research capacity, support research with clinical and commercial promise, recruit top scientific talent, and encourage collaboration between industry and our research institutions. Currently, the state contribution to research institutions puts Washington 49th in the nation. The Governor believes Washington can do better.

The Governor's proposed Life Sciences Discovery Fund would:

- Provide \$35 million in research grants a year for 10 years from bonus tobacco settlement funds coming to Washington because of the Governor's leadership in the national tobacco lawsuit. The grants will be available starting in 2008.
- Create the fund to make grants for promising life-sciences research in Washington.
- Make this seed capital investment contingent on attracting at least \$10 million in private capital by 2008, with a goal of increasing that to \$100 million over time.
- Establish a board of trustees to review applications for grants based on their potential impacts on health care, employment, and geographic diversity.

The Governor expects that the \$350 million the state contributes over 10 years will be more than matched by federal and private grants, taking the total investment to over \$1 billion.

2005–07 Balance Sheet

General Fund - State

(Dollars in Millions)

Resources	
Beginning Fund Balance	617.8
November 2004 Revenue Forecast	24,721.8
Non-Economic Change (Estate Tax and Meat Packing Tax losses)	(274.8)
March 2005 Forecast Update	438.3
	24,885.3
Legislation and Other Resources	253.6
Budget-driven Revenue	26.0
Transfers from Other Funds	243.6
Total Resources (including beginning fund balance)	26,026.3
Expenditures	
Governor's Proposed Budget	25,824.0
Unrestricted General Fund Reserve	
Projected Ending Fund Balance	202.3

Balance Sheet Detail for Revenues and Fund Transfers

General Fund - State

(Dollars in Millions)

2005-07

Legislation and Other Resources

Eliminate GFS diversion for Initiative 728 Class Size Reduction	138.2
Aerospace B&O Credit <i>HB 1940/SB 5864</i>	(4.8)
Manufacture of Airplanes B&O Credit <i>HB 2111/SB 5972</i>	(0.5)
Correct High Tech Tax Credit <i>HB 1693/SB 5673</i>	22.4
Puyallup Tribe Cigarette Tax Agreement <i>HB 1916/SB 5794</i>	17.2
Unclaimed Property Revisions <i>HB 1845/SB 5948</i>	14.3
Linked Deposit Program <i>HB 1805/SB 5782</i>	(0.6)
Change date of Real Estate Excise Tax collection <i>HB 1240</i>	47.5
Water Rights Fees <i>New Bill</i>	0.5
Continue Liquor surcharge	19.4
	<hr/>
	253.6

Budget-Driven Revenue

Additional Auditors at the Department of Revenue	15.0
Liquor Control Board Shipping Capacity	9.0
Liquor Control Board budget revision	2.0
	<hr/>
	26.0

Transfers from Other Funds

Excess Revenue from New Education-Related Taxes	64.1
Reduce GFS Transfer to Water Quality Account	26.4
State Convention and Trade Center Account	10.3
State Treasurer's Service Account	10.5
Financial Services Regulation Account	1.0
Dept. of Retirement Systems Expense Account	2.0
State Toxics Account	14.2
Local Toxics Account	9.9
Litter Account	2.0
Secretary of State Revolving Account	0.5
Flood Control Account	2.0
Pollution Liability Insurance Program Trust	15.0
Health Services Account	85.7
	<hr/>
	243.6

“Investing in our schools is investing in our future. I want Washington’s public schools to be the best in the nation.”

Education is the foundation of each child’s future. As Washington’s Governor, I know that making the right investments in our education system will secure a bright future for our children and our state.

Motivated teachers and students ready to learn are the basic ingredients of successful public schools. Both are key in meeting the high standards – and the high expectations – we all have set for Washington’s students and teachers.

My Budget for Improving Student Achievement in Our Public Schools

1 Provides focused, individualized learning.
I want all students to have the opportunity to live up to their potential. That’s why I’m investing in programs that provide individual attention for kids who need it.

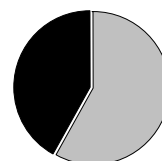
In addition, my budget increases access to early learning and restores Initiative 728, which provides for class-size reduction and extended learning opportunities both during and after school hours.

2 Provides better pay for teachers. Many teachers educating our children have gone three years without a salary cost-of-living adjustment (COLA). It is only fair that our higher expectations be accompanied by higher compensation, so my budget resumes Initiative 732.

3 Expands opportunities to meet new graduation requirements. Students deserve the resources that will help them to succeed.

Implementing the graduation requirements and assessment changes that were adopted by the 2004 Legislature requires us to provide students with more individual attention in high schools, alternative testing opportunities, access to retake tests, an appeals process and timely 10th grade WASL results.

**The K-12 Education budget is about \$11 billion,
more than 40% of the State General Fund**



The Governor's Budget for Student Achievement

Provide focused, individualized learning

Restores class-size reduction. The Governor's budget restores Initiative 728, which was suspended by the Legislature during the past two years. Per-student funding for class-size reduction rises from the current level of \$254 to \$450 by the 2008 school year. These funds will be distributed to local school districts for specific activities that include class-size reduction and extended learning opportunities. *\$138 million GF-State*

Increases preschool access for more young learners. Early learning opportunities are critical to a child's later success in school. By increasing funding for the Early Childhood Education and Assistance Program, more than 200 additional students will have access to early learning. The investment also will boost funding for programs already in place. *\$7.2 million GF-State*

Provides special help for students with disabilities. The Governor's budget increases funding for special education students statewide, so school districts that face extraordinary special education costs will get the financial assistance they need. *\$50 million GF-State, \$3 million federal funds*

Provide better pay for teachers

Increases compensation for school teachers and staff. Cost-of-living salary adjustments for teachers and other public school staff are provided statewide, consistent with Initiative 732, which calls for annual cost-of-living increases tied to the Seattle Consumer Price Index. *\$139 million GF-State*

Expand opportunities to meet new graduation requirements

Provides individual attention for high school kids who need it. For the first time, the Learning Assistance Program provides more individual attention to high school students who need extra help to meet the state's high academic standards, especially in math. Starting in 2008, high school students will be required to pass the Washington Assessment of Student Learning (WASL) before graduating. *\$42 million GF-State*

Improves graduation standards. The Governor's proposal implements the graduation requirements and assessment changes that were adopted by the 2004 Legislature. When implemented, students will have alternative opportunities to demonstrate their knowledge, access to retake tests, an appeals process and timely 10th grade WASL results. *\$3.5 million GF-State*

“Our citizens must have affordable access to quality education and training opportunities that will prepare them for the jobs our economy is creating.”

As a parent, I know how important it is for our families to have the opportunity to get additional education and training beyond high school. But the growing number of high school graduates and adults seeking new training opportunities is overwhelming available higher education resources. Our state colleges and universities already have to turn away too many qualified students. We must take down the “no vacancy” sign in higher education.

That’s why my budget for higher education expands enrollment at our state colleges and universities by 6,600 new full-time students, and also provides additional financial aid so more students can afford college. This increase in enrollment ensures that there is room at the inn for students graduating from high school and for adults who need to upgrade their knowledge and skills to advance in the workplace. Access to quality higher education and training opportunities is vital for them, for their families, and for the state’s economy.

My Budget for Improving Access to Higher Education

1 Expands access and improves quality in our state colleges and universities. I will add 6,600 new enrollment slots to make room for more students at our higher education institutions.

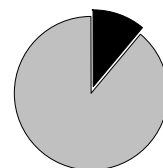
Additional tuition revenues are used to help institutions attract and retain high-quality faculty and staff, reduce class sizes, and expand research and scholarly opportunities for students.

2 Creates more four-year universities. For the first time, we are expanding branch campuses to allow students to enroll as freshmen and complete undergraduate degrees.

Authorizing four-year degrees at WSU-Vancouver and UW-Tacoma improves access and education options for students in those communities.

3 Provides students with more financial aid. State financial aid programs – like the State Need Grant – are essential for giving lower-income students an opportunity to earn a degree or acquire new workplace skills.

The Higher Education budget is almost \$3 billion, and more than 10% of the State General Fund



The Governor's Budget for Higher Education

Expand access and improve quality in our state colleges and universities

Expands higher education enrollment. More students than ever want to take advantage of the opportunity for prosperity that higher education and training affords them. In response, the Governor's budget provides 6,600 new enrollment slots at our state colleges and universities, bringing the total number of full-time, state-subsidized enrollments to more than 223,100. The new enrollments will enable the state to keep up with the projected demand for access to the state's colleges and universities in the next biennium.

More than 3,000 of the new enrollments are distributed statewide among research, regional and branch campuses, providing greater access for freshmen and transfer students. More than 3,500 of the new enrollments are allocated to community and technical colleges to increase opportunities in academic and workforce training programs.

Included in the new enrollments are 300 slots dedicated to high-demand fields like health care, math, special education instruction and computer science. Funding also is provided to support adult basic education and literacy programs. *\$58.3 million GF-State*

Authorizes tuition increases. The Governor's budget assumes annual tuition increases of 5 percent per year at state four-year colleges and universities, and 3 percent per year at community and technical colleges. These tuition increases maintain affordable access for Washington citizens and provide the institutions with the revenue needed to attract and retain high-quality faculty and staff, reduce class sizes and expand research and scholarly opportunities for students. *As much as \$46 million in new tuition revenue*

Create more four-year universities

Establishes four-year programs at branch campuses. More than a decade ago, the state established branch campuses of state research universities at Bothell, Tacoma, the Tri-Cities and Vancouver to improve access to higher education in areas of the state without public four-year institutions. Currently, the branch campuses offer courses for juniors and seniors – primarily transfer students – who have completed lower division coursework elsewhere.

The Governor's budget expands education opportunities at branch campuses, for the first time, by extending admission to freshman and sophomore students in Vancouver and Tacoma. New funding allows Washington State University to expand admissions to its Vancouver campus starting in the fall of 2006. The University of Washington begins admitting freshmen in Tacoma the following year. *\$2.3 million GF-State*

Provide students with more financial aid

Expands financial aid. Programs like the State Need Grant are essential in giving low-income students a chance to go to college. Funding to assist these students is increased to accommodate higher enrollments and expected tuition increases. Promise Scholarship awards of \$1,200 a year for two years also are provided for students from low- to middle-income families who are in the top 15 percent of their high school graduating class. Promise Scholarships may be used at any public or private college or university in Washington. *\$26.9 million GF-State*

“There is something wrong with the priorities of a state that denies children health care.”

Access to health care is a major worry for Washington citizens who want their loved ones to stay healthy. As Governor, I’m working to ease their concerns. My budget reflects my commitment to improving access to health care for Washington residents, and my drive to make sure all children have health care coverage by 2010.

We’re already making progress in implementing "Healthy Washington" – my plan to reform health care in this state, increase access to health insurance and lower the cost of prescription drugs. This budget invests in that effort and ensures that our most vulnerable residents have access to health care.

My Budget for Improving Access to Health Care

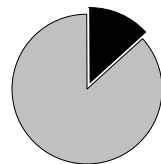
1 Puts children first. I’ll make sure kids get the health care they need. My proposal provides health care coverage to an additional 46,700 children in low-income families.

2 Maintains fundamental health services. The Basic Health Plan coverage is maintained for 100,000 people currently enrolled in the program.

I recognize the value of a strong public health system and my budget fully funds or expands public health services. Grants for community clinics also are maintained.

3 Creates a common sense approach to prescription drugs. My plan funds a purchasing consortium that further consolidates drug purchasing opportunities to give uninsured or underinsured citizens access to affordable prescription drugs.

**The Health budget is about 13%
of the State General Fund, totaling \$4.6 billion
with the Health Services Account**



The Governor's Budget for Health Care

Put children first

Delays children's medical premiums. The current state budget assumes that families with incomes between 150 percent and 200 percent of the federal poverty level – and with children receiving Medicaid medical services – will be charged premiums for that medical care. The Governor's budget delays the premium through the 2005-07 Biennium, which ensures that 4,000 more children will get health care. *\$8.9 million Health Services Account and GF-State*

Removes the hassle factor from children's medical eligibility. Families with children receiving Medicaid coverage will re-qualify their children for coverage every 12 months instead of every six months, which has been the requirement since 2003. The change is expected to increase the number of children on Medicaid by nearly 26,000 because families often drop coverage to avoid frequent red tape. The Governor believes annual reviews are enough to ensure proper eligibility. *\$32.8 million Health Services Account*

Restores health coverage for immigrant children. The Governor's budget restarts the Children's Health Program for children of undocumented farm workers with incomes below 100 percent of the federal poverty level. Coverage for these children was eliminated in 2002. Restoring the program will provide 16,700 children with health care. *\$17.5 million GF-State*

Maintain fundamental health services

Keeps up with rising hospital costs. The Governor's budget increases state Medicaid reimbursement rates for hospitals, which have gone without a rate increase for several years. Increases will be staggered into three tiers, in accordance with a Washington State Hospital Association proposal, to provide the largest increases to those hospitals that are paid the least today. *\$28 million GF-State, \$18.7 million federal*

Retains Basic Health Plan coverage for all 100,000 current enrollees. The Governor's proposal maintains funding for existing Basic Health Plan enrollees, including 17,200 adults between 140 and 200 percent of the federal poverty level whose coverage was scheduled for elimination in the current budget. *\$48.8 million Health Services Account*

Increases investments in public health. Public health preventive strategies have been proven to yield a relatively high return on investment in the area of health care. In addition to fully funding public health services – from childhood vaccinations to protection of clean water – funds are added to provide for lead surveillance and tuberculosis control. *\$800,000 GF-State*

Preserves state grants to community clinics. Grants for community clinics across the state are maintained, preserving the health care safety net for the uninsured and underinsured in Washington who depend on clinics for primary medical and dental care. *\$24.1 million Health Services Account*

Create a common sense approach to prescription drugs

Broadens a prescription drug-purchasing consortium. Uninsured and underinsured citizens can buy prescription drugs through an evolving state program that obtains drugs more cheaply through joint drug purchases by three state health-purchasing agencies with a statewide Preferred Drug List. Also, further consolidated drug purchasing opportunities are explored – including opportunities to pool with other states. *\$989,000 Health Services Account*

Allows importation of drugs from other countries. The Governor is proposing legislation permitting Washington residents to import drugs from Canada, the United Kingdom and other countries. The costs of prescription drugs can be significantly reduced if Washington residents are allowed to import them from other countries.

“We have a responsibility to protect and look after those who cannot protect and look after themselves.”

I will not turn my back on people who need the state’s help – vulnerable children and adults at risk of abuse or neglect, senior citizens, the disabled and chronically ill. It is our duty as citizens to take care of those who require assistance.

But we can do a better job of providing social services in a recovering economy by making targeted investments and planning for future improvements that will help people live better lives, and save taxpayer dollars in the long run.

My Budget for Preserving the Safety Net for Vulnerable Children and Adults

1 Maintains critical services.
Caring for those who can’t care for themselves is one of the state’s fundamental responsibilities. I am committed to funding the services that help keep children and vulnerable adults safe.

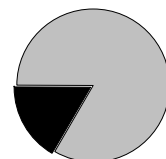
2 Makes targeted investments to improve outcomes. My budget speeds up child welfare investigations, replaces funds that community mental health clinics lost to federal funding cuts, and helps families complete child welfare case plans.

My plan addresses the demand for alcohol and drug treatment, providing twice the available treatment services, which will mean savings in other social service programs in the future.

3 Finds solutions for taking care of our elderly. Baby boomers are growing older and we need to be prepared to deliver and maintain the services they will need.

That’s why I am dedicating funds to examine options for reducing the need for long-term care services.

**The Social Services budget is about \$4 billion,
nearly 17% of the State General Fund**



The Governor's Budget for Social Services

Maintain critical services

Funds the safety net. The Governor's budget maintains funding for institutional and community care for children, the disabled, seniors and veterans. It provides support services for at-risk families, including emergency cash and food assistance. It supports investigations of child and adult abuse and neglect, interventions and foster care for children.
\$4.3 billion GF-State

Make targeted investments to improve outcomes

Improves the child welfare system. The focus of Child Protective Services is narrowed to investigations only. Other current functions are transferred to Child Welfare Services. Additional staff is hired so that investigations are initiated within 24 hours in more urgent cases, and no more than three days in less serious circumstances. Currently, it may take 10 days before an investigation gets started. In addition, social workers can visit children at least monthly while a case is open. *\$13 million GF-State*

Provides pay raises for priority caregivers. Funding is provided for a cost-of-living increase of 1.5 percent in 2006 and 2 percent in 2007 for vendors who provide 24-hour care or crisis stabilization for the state's most vulnerable clients. This includes foster care, residential care for the developmentally disabled, residential services for the aged, and crisis intervention services for children and adults. *\$33 million GF-State*

Replaces money lost to federal funding cuts for community mental health services. Because of a federal reinterpretation of Medicaid rules, Washington State faces reduced federal funding for community mental health centers that serve clients who don't qualify for Medicaid. The Governor's budget uses state dollars to replace the lost funding, so key community mental health services continue. This saves taxpayer dollars in the long run because people with mental health problems get help, instead of winding up in jails or hospitals. *\$80 million GF-State*

Treats more people for alcohol and drug abuse. The Governor doubles available drug and alcohol abuse treatment services. The current level of publicly funded substance abuse treatment is enough to meet only 20 percent of the demand. Individuals with untreated substance abuse disorders often develop other health problems, requiring more costly social or medical services including long-term care. Research indicates that for every public dollar invested in chemical dependency treatment, \$3.19 is saved in public expenditures in other social service programs. *\$17.4 million GF-State*

Expands the successful Parent Representation Project from two pilot counties to at least half of all Washington counties. This project provides enhanced attorney and social work services to parents with child welfare dependency or termination of parental rights cases. These enhanced services have been shown to increase parental engagement and to speed case processing times. *\$1.5 million GF-State, \$6 million Public Safety and Education Account*

Find solutions for taking care of our elderly

Creates a long-term care task force. Funding is provided to support the work of an eight-member joint legislative and executive task force on long-term care. The task force will focus on financing options and on ways to better deliver chronic care management services so that the need for long-term care services is reduced. *\$580,000 GF-State*

“By making this investment, we could be playing a role in the creation and evolution of entire future industries.”

I am privileged to lead a state long admired for its inventive spirit in industries from airliners to computer software and biotechnology. That same spirit of innovation drives my plan to nurture and grow Washington’s economy and to create a new generation of family-wage jobs.

I am proposing several economic development measures to improve Washington’s economy – steps that address different stages in the life of a firm or industry. My approach is based on my belief that the public sector serves a vital role in promoting research into the next generation of opportunities, removing barriers to economic activity, and investing in infrastructure to lay a strong foundation for future economic activity.

My Budget for Improving Washington’s Economy

1 Grows Washington’s economy through innovation. My plan invests bonus money from Washington’s tobacco settlement in the emerging biotechnology industry.

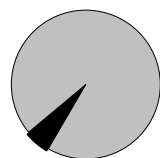
This investment will create future jobs and put Washington squarely at the forefront of a worldwide revolution in the age-old quest to tame debilitating human diseases and to feed a hungry planet.

2 Invests in infrastructure and workforce development. One of the most powerful steps I can take to put muscle into our economy is to fund public works projects that provide thousands of high-paying construction jobs.

3 Removes barriers to economic activity. Economic growth is driven largely by the private sector. That’s why I am investing in tax incentives to make sure we continue to grow the aerospace industry in Washington.

My plan also will help remove economic barriers for minority- and women-owned businesses, and obstacles faced by researchers who are trying to turn their ideas into commercial products.

The Economic Development budget, including debt service of more than \$1 billion for capital projects, is about 6% of the State General Fund.



The Governor's Budget for Economic Development

<p>Grow Washington's economy through innovation</p>	<p>Nurtures a new economic revolution. The Governor proposes a \$1 billion Life Sciences Discovery Fund to move Washington into leading-edge medical research, and improve the quality and yield of farm crops. The research and development will quicken the growth of the state's emerging biotechnology industry to create as many as 20,000 new jobs in the next 10 to 15 years.</p>
<p>Invest in infrastructure and workforce development</p>	<p>Invests in infrastructure, creating jobs. The Governor's package of capital construction projects will support an average of 19,700 jobs directly and indirectly related to the construction over the next two years in cities and towns from Vancouver to Bellingham and Tacoma to Spokane. <i>\$2.8 billion</i></p> <p>Invests in Washington's future workforce. Not every worker needs a college degree to get a foothold in Washington's economy. Some, especially immigrants, need access to Adult Basic Education and English as a Second Language (ABE/ESL) courses at community and technical colleges. Others need relatively quick retraining if they lose a job in a changing economy. The Governor's plan supports integrating basic education and literacy courses with occupational skills training to improve workforce development. <i>\$4 million</i></p>
<p>Remove barriers to economic activity</p>	<p>Provides aerospace supplier tax incentives. The Governor has taken an important step toward securing a supplier base for aerospace in Washington. Her budget includes:</p> <ul style="list-style-type: none"> ▪ \$4.8 million in tax incentives designed to attract a variety of potential aerospace suppliers to Washington. ▪ \$500,000 in tax credits for manufacturers of airplanes. <p>Securing the next generation of Boeing aircraft assembly by landing the Boeing 7E7 project at Everett was a major commercial victory for Washington and a testament to the state's strong business climate and commitment to economic progress. Now, the state is focused on the next step: a home in Washington for the supply chain for that aircraft.</p> <p>Helps good research become commercial products. The Governor proposes to revise the state ethics law to provide clear, common-sense guidelines for researchers who want to see good research become commercial products. This small change can reward the state with increased market opportunity, more jobs and royalty revenue for our state universities. Washington's research institutions lead the world in basic research, but research becomes economic opportunity only when the ideas become marketable products. This process – often called “technology transfer” – requires a wide variety of efforts, from venture capital for product development to technical assistance with business planning.</p> <p>Finances capital options for minority- and women-owned businesses. Access to capital has been the single biggest hurdle to small businesses as they develop and grow. The Governor's proposal expands the Linked Deposit program, which provides loans to certified minority- and women-owned businesses at interest rates 2 percent below market rates. Her proposal:</p> <ul style="list-style-type: none"> ▪ Doubles the amount of funds available for loans to small businesses to \$100 million. This would make loans available to an additional 220 small businesses, eliminating the current backlog in the program. ▪ Transfers monitoring of the program from the Department of Community, Trade and Economic Development to the Office of Minority and Women's Business Enterprises, and eliminates the sunset date of the program.

“Let’s focus on preventing crime, holding people accountable for the crimes they commit and making sure we keep our communities safe.”

The safety of our children, our elders, our streets and our neighborhoods is a basic responsibility of citizens and government, working together.

I intend to maintain and improve public safety by making better use of resources in the prison system, taking advantage of technology to catch criminals and speeding the administration of justice, providing treatment for more nonviolent drug users, and covering medical costs for victims of violent and sex crimes.

My Budget For Improving Public Safety

1 Holds people accountable for committing crimes. People who break the law must be held accountable for their actions. This budget prepares for an expanding prison population and keeps dangerous sex offenders in secure treatment facilities.

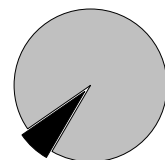
2 Solves crimes and mobilizes communities. My plan funds staffing at new crime laboratories and will improve how police, courts and corrections officials obtain and share information about offenders all across Washington State.

Working together, communities can make a real difference. That’s why I’m funding programs that bring communities together to reduce violence and drug abuse.

3 Takes care of victims and rehabilitates those who need treatment. Unfortunately, violence and drug abuse are a reality.

My budget makes sure that victims of crime get the help they need. It also increases funding for drug and alcohol treatment for offenders who likely can stay out of trouble if they can curb their addictions.

**The Public Safety budget is nearly \$2 billion,
about 7% of the State General Fund**



The Governor's Budget for Public Safety

Hold people accountable for committing crimes	<p>Puts dangerous sex offenders in secure treatment. The Governor's budget funds a 32 percent increase in the number of sex predators civilly committed and treated at the Special Commitment Center on McNeil Island. This population is expected to grow from 210 at the end of 2004 to 277 by June 2007. <i>\$18.4 million GF-State</i></p> <p>Pays for expanding prison population. An expected 6 percent increase in the prison population – from 17,000 at the end of 2004 to 18,000 over the next biennium – is funded. Costs include renting prison cells in other states, as well as supervising 26,000 offenders after their release from prison. <i>\$40.4 million GF-State</i></p> <p>Supervises offenders across state lines. Funding is provided for a new interstate compact between Washington and other states, which will lead to effective supervision of felons and some misdemeanants who move between states for legitimate reasons. <i>\$822,000 GF-State</i></p>
Solve crimes and mobilize communities	<p>Increases crime laboratory staffing. New crime-lab operations in Vancouver and Spokane are funded, and staff is added to help police solve crimes by meeting growing demand for analysis of DNA samples. DNA analysis continues to grow in importance as a major tool in detecting and convicting crime suspects. <i>\$500,000 GF-State, \$5.4 million other funds</i></p> <p>Improves justice information. Better links are made to the new Summary Offender Profile and other projects of the Washington Integrated Justice Information Board, so law enforcement, courts and corrections officers can quickly obtain state and local data. <i>\$684,000 Public Safety and Education Account</i></p> <p>Mobilizes communities. Funding is increased for proven programs that bring communities together to reduce violence and drug abuse. These programs bring together neighborhoods, schools, police and others to steer children away from crime, to prevent crime in neighborhoods, and to respond to crime where and when it happens. <i>\$1.2 million Violence Reduction and Drug Enforcement Account</i></p>
Take care of victims and rehabilitate those in need of treatment	<p>Maintains crime victim compensation. This program's costs have risen because of increased claims for emergency and hospital treatment. The Governor's budget preserves the program and restores full funding of forensic examinations for sexual assault victims. <i>\$36.8 million Public Safety and Education Account</i></p> <p>Provides more access to alcohol and drug treatment. Increases funding to close the gap between treatment need and availability in the criminal justice system and communities. Funding for county drug courts and other treatment through the justice system is almost doubled. Funding for community-based treatment of those who cannot pay for it is offset by savings in other health-related costs. <i>\$17.8 million GF-State, \$7.6 million Criminal Justice Treatment Account</i></p>

“It is our responsibility to take steps now to ensure the quality of our environment for the future.”

We have inherited a wonderful legacy of people and diverse culture, as well as bountiful and beautiful natural resources. As a lifelong Washington resident and former head of Washington’s Department of Ecology, I am acutely aware of the need to protect our natural environment.

I also know that in the face of diminished financial resources and greater demands on our natural resources, it will be important to focus on the most critical issues.

My Budget for Protecting Our Natural Resources

1 Cleans up pollution and toxics. We must be vigilant to keep harmful, toxic substances out of our air, water and land. My plan funds multiple strategies for cleaning up Hood Canal, which is so polluted that aquatic life can’t survive.

And I’m funding multiple efforts by the Department of Ecology to clean up polluted areas and to reduce the amount of waste and toxic materials that enter our environment and threaten our health.

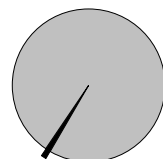
2 Preserves our quality of life. Our special Northwest lifestyle is very connected to our miles of open spaces, habitat for fish and wildlife, and parks for the active people who live here.

I support additional habitat acquisition for fish and wildlife, and will work to develop our local parks and upgrade our existing park system.

3 Secures our water resources. My plan addresses the diverse and persistent water resource needs within our state.

By funding programs that reduce the impacts of drought and prevent water shortages, my plan can create jobs and spur economic growth in Eastern Washington over the next 20 years.

The Natural Resources, Parks and Recreation budget is \$318 million, about 1% of the State General Fund



The Governor's Budget for Natural Resources

Clean up pollutions and toxics	<p>Restores Hood Canal. A multi-pronged approach will reverse low-dissolved oxygen levels and nutrient flows into the canal, both of which kill aquatic life. The plan includes a \$1 million grant to design wastewater treatment facilities to serve the area of the canal from Hoodspport to the Skokomish River. Grants to Mason, Jefferson and Kitsap counties will help identify failing septic systems and develop a stormwater plan for Belfair and Hoodspport. A \$1 million loan program will help homeowners correct failing septic systems. A new septic system will be installed at Dosewallips State Park and new pollution abatement ponds are provided for the Hoodspport hatchery. <i>\$4.4 million Capital Budget, \$600,000 other funds</i></p> <p>Cleans up toxics. The Department of Ecology launches action plans to reduce and eliminate Polybrominated Diphenyl Ethers (PBDEs) and other persistent bioaccumulative toxics (PBTs) in the air, land and waters. New funding of \$24 million is provided to help Ecology and local governments clean up high-priority toxic sites. Other new grants include \$2.5 million to clean up contaminated soils at schools, \$3 million to reduce diesel toxics from publicly owned buses, and \$10 million for small cities to meet new stormwater guidelines. <i>\$57.5 million Capital Budget, \$25.4 million other funds</i></p> <p>Helps businesses reduce waste. To help businesses reduce costs, The Department of Ecology will implement programs to reduce toxics generation and energy usage, encourage composting, and promote green building practices. These programs will help businesses redesign products and processes to reduce the use and cost of toxic material and waste handling, while increasing profits and competitiveness. <i>\$6 million Capital Budget, \$3.4 million other funds</i></p>
Preserve our quality of life	<p>Safeguards habitat and parks. Fish and wildlife habitat will be protected and local parks supported through the Washington Wildlife and Recreation Program. <i>\$45 million Capital Budget</i></p> <p>Prepares for the State Parks Centennial. The Washington State Parks and Recreation Commission has developed a plan to improve existing parks with needed upgrades and renovation, as well as potentially add new parks to celebrate the state parks system's 100-year anniversary in 2013. <i>\$30 million Capital Budget</i></p>
Secure our water resources	<p>Eases drought impacts. Facing the worst drought since 1977, the Governor issued a drought declaration for Washington State on March 10 that enables the Department of Ecology to issue emergency drought permits and expedite temporary water-rights transfers to reduce drought effects. Funding is provided for water acquisition and mitigation projects to reduce drought impacts on irrigators, municipalities and fish populations. <i>\$9 million Capital Budget, \$3 million other funds</i></p> <p>Manages our water. The Columbia River Initiative is the first step towards adopting a new water management program to promote economic growth and community development goals, while also improving the river ecosystem. This investment will help develop multipurpose storage projects, acquire water and implement new and future water agreements to make water available for future needs along the river. A University of Washington economic study shows the increased water use made possible by this program would generate annual benefits of \$420 million and up to 9,000 new jobs in the Eastern Washington economy. <i>\$1 million GF-State, \$17 million Capital Budget</i></p>

“Let’s build our economy by putting people to work.”

Construction jobs created by Washington’s public works projects help families earn a living wage and give our economy a boost. At the same time, the construction budget provides needed facilities, such as new schools and university buildings, which serve us for generations.

My Capital Budget for Construction

1 Creates jobs for a better economy. My Capital Budget package supports an average of 19,700 jobs directly and indirectly related to state construction projects over the next two years.

In the short run, the jobs these projects create help families pay the mortgage, buy a better car and help the kids with college tuition. In the long run, the construction budget supports education and other needs that are vital to our economy.

2 Provides facilities to serve growing demand for higher education. These projects provide engineering and architecture students at the University of Washington revitalized facilities for learning and research. Biomedical researchers at Washington State University get better facilities and equipment for their work.

Computer and science labs are provided at Walla Walla Community College. Bates Technical College in Tacoma receives a new building for general and biotechnology classrooms.

3 Improves our quality of life. In Spokane, citizens gain a multipurpose performing arts center.

Critical housing is built for migrant farm workers, so they can live in a clean and safe environment.

An important piece of our past, the Vancouver National Historic Reserve West Barracks, will be rehabilitated, and the Port of Bellingham will receive funding it needs to start planning for ways to revitalize the area for commerce.

The Capital Budget is \$2.8 billion.

The Governor's Budget for Capital Construction

Public schools Fully funds all K-12 building projects that are expected to need state matching funds. State funding formula is improved to reduce local funding requirements. *\$436 million*

Higher education Invests \$323 million for projects at four-year universities:

University of Washington – Includes more classroom and office space at Architecture Hall, improved space for engineering and applied mathematics students and staff at Guggenheim Hall, and modernized laboratory space for biomedical research at the H-Wing Health Sciences Complex. *\$46.4 million*

University of Washington-Tacoma – Includes refurbishing Assembly Hall to serve a variety of academic needs, and acquisition and cleanup of more land on which to expand the institution. *\$13 million*

Washington State University – Includes a new Biotechnology/Life Sciences Building in which to teach science classes and conduct scientific research, and construction of facilities to reclaim wastewater for re-use. *\$47.7 million*

Washington State University-Tri-Cities – Finances participation in the construction of a Bioproducts Facility, which will be used to research and convert various forms of agriculture waste to marketable products. *\$13.1 million*

Eastern Washington University – Includes design funding for: Hargreaves Hall, home to the continuing education program and summer session classes; pre-design funding for geology, archeology and urban planning classrooms at Isle Hall; and for improvements at Martin Williamson Hall, which houses the College of Education where students study for teaching degrees. *\$1.7 million*

The Evergreen State College – Continues renovation of the Daniel J. Evans Library Phase II. *\$22.3 million*

Central Washington University – Provides design funding for renovation of Dean Hall for science program classes and offices. *\$2.2 million*

Western Washington University – Funds Academic Instructional Center building construction to be used for faculty offices and classrooms for a variety of disciplines. *\$51.4 million*

Invests \$383 million in 64 community college projects, such as:

- A special fund to pay for repairs ranging from new roofs to refurbished electrical and plumbing systems at 32 colleges. *\$35 million*
- Green River Community College science building construction to centralize classrooms for several science disciplines. *\$27.5 million*
- Bates Technical College building construction to provide general and biotechnology classrooms. *\$15.2 million*
- Walla Walla Community College laboratory construction to provide space for computer and science labs. *\$6.6 million*

- Everett Community College building construction to provide classrooms and space for visual and performing arts. *\$17.6 million*
- South Puget Sound Community College building expansion to provide more classroom space in the natural sciences building. *\$3.2 million*
- Yakima Valley Community College construction of a new building to replace Glenn and Anthon Hall to provide science and math classroom space and technology. *\$28.7 million*
- Columbia Basin Community College building construction to provide science and technology classroom space. *\$1 million*
- Grays Harbor Community College Ilwaco construction to provide general and science classrooms, and a computer lab, at the Education Center. *\$7.4 million*

Public safety

Constructs the final phase of the Special Commitment Center to house and treat dangerous sex offenders. *\$21 million*

Constructs a medium security prison with 2,000 beds and support facilities at Coyote Ridge Corrections Center in Franklin County to confine a rising number of inmates. *\$267 million alternative financing*

Completes Vancouver Crime Lab construction, including the last phase of construction for the facility needed to employ DNA testing and other scientific tools to fight crime. *\$3.8 million*

Improves sewage and water systems for Shelton Regional Correctional Center. *\$11 million*

Natural resources

Protects fish and wildlife habitat and supports local parks through the Washington Wildlife and Recreation Program. *\$45 million*

Cleans up Hood Canal. Funds grants and loans to improve and construct wastewater treatment systems, repair failing septic systems and plan for storm water control along the Hood Canal. *\$4.4 million*

Improves water management with the Columbia River Initiative to fund water storage project studies and acquire water from willing sellers and through water conservation projects for out-of-stream uses and fish. *\$17.1 million*

Supplements the Centennial Clean Water Fund with grants and loans for planning, implementation, design, acquisition and construction of water pollution control facilities and activities. *\$43 million*

Begins funding for the new parks Centennial Program, a Washington State Parks and Recreation Commission plan to improve existing parks with needed upgrades and renovation, and potentially add new parks to celebrate the state parks system's 100-year anniversary in 2013. *\$30 million*

State drought preparedness includes funding for water acquisition and mitigation projects including emergency agriculture, municipal and fish protection projects. *\$8.1 million*

Community improvements

Invests \$119.4 million in construction and renovation of community facilities and sites throughout Washington, such as:

- Housing Development and Farm Worker Housing infrastructure construction. *\$82.5 million*
- Asian Counseling and Referral Service Center construction in Seattle to assist a growing Asian population. *\$5 million*
- Infrastructure to support restoration and redevelopment of North Front Street in Yakima. *\$4 million*
- Seattle's McCaw Hall to help retire short-term bonds. *\$3.5 million*
- TVW's equipment upgrades to convert from analog to digital. *\$3 million*
- Boys and Girls Clubs of South Puget Sound to help build three youth meeting, counseling and recreational centers in Lakewood, Gig Harbor and Tacoma. *\$2.5 million*
- Spokane Fox Theatre renovation for use as a multi-purpose performing arts center. *\$2.5 million*
- Public art placement in Clarkston, Pasco, Clark County, Vancouver and Pacific County for the Lewis and Clark Confluence Project. *\$2 million*
- Heritage Park in Olympia to complete park development. *\$1.6 million*
- Vancouver National Historic Reserve West Barracks rehabilitation. *\$1 million*
- Port of Bellingham redevelopment planning. *\$300,000*